

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**February 17, 2004**

**IN RE:**

**APPLICATION OF KINGSPORT POWER COMPANY  
(AMERICAN ELECTRIC POWER) FOR \$50,000,000  
FINANCING PROGRAM THROUGH JUNE 30, 2008.**

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**DOCKET NO.  
03-00618**

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**ORDER APPROVING FINANCING TRANSACTIONS**

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This matter came before Chairman Deborah Taylor Tate, Director Pat Miller, and Director Sara Kyle of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this Docket, at the regularly scheduled Authority Conference held on January 26, 2004 to consider the Application of Kingsport Power Company ("KPC") requesting authority to enter into certain financing transactions through June 30, 2008

**Statutory Framework**

Tenn. Code Ann. § 65-4-109 states that

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA]

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transactions are in accordance with law and that the stated purpose meets with the TRA's approval.

### **The Application**

KPC filed this Application with the TRA on December 4, 2003 seeking authorization, pursuant to Tenn Code Ann § 65-4-109, to issue debt in a total amount of \$50,000,000 to commercial banks, financial institutions, or other investors, including a promissory note to its parent company American Electric Power Company, Inc., at various times through June 30, 2008, at interest rates yet to be determined KPC is also seeking authority to utilize financial instruments, in conjunction with the issuance of debt, to manage the volatility of interest rates KPC proposed to use the proceeds of these transactions to immediately refinance at lower interest rates \$20,000,000 of outstanding long-term debt, and then to refinance this debt again at some time within the next five years if financially advantageous to do so KPC affirms that no more than \$10,000,000 will be used for other corporate purposes, such as construction projects, therefore, the impact on the Company's balance sheet from these financing transactions should be minimal. KPC contends that these transactions may reduce the Company's yearly interest expense by \$ 346,000 and will provide more flexibility in long-term financing and planning

### **The January 26, 2004 Authority Conference**

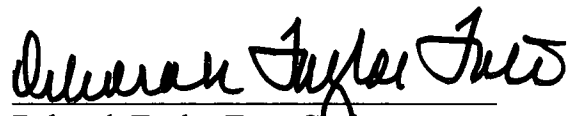
At the January 26, 2004 Authority Conference, the Directors voted unanimously to approve KPC's Application.

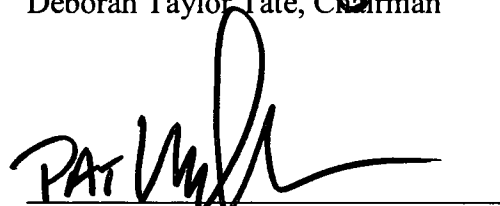
### **IT IS THEREFORE ORDERED THAT:**

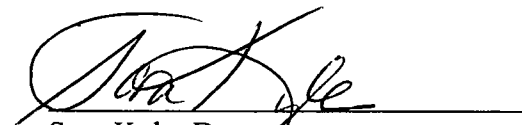
1. Kingsport Power Company is authorized to enter into financing transactions, as described in the Application and herein, through June 30, 2008.
- 2 The authorization given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring that an analysis or assessment of the risk involved to a purchaser of any KPC securities has been performed. Nothing contained

herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein

3 The authorization and approval given hereby do not represent any finding regarding the appropriate ratemaking treatment of these proposed transactions

  
Deborah Taylor Tate, Chairman

  
Pat Miller, Director

  
Sara Kyle, Director